Security Required for Giving Loans

984. SHRI JANARDHANA POOJARY: Will the Minister of FINANCE be pleased to state:

(a) whether the security is required for giving loans by banks to beneficiaries under IRDP and DRI loans;

(b) whether surety required for giving such loans under IRDP and DRI Scheme;

(c) what are the detailed guidelined regarding security and surety for loans given under IRDF and DRI loans;

(d) whether banks are demanding surety and security for such loans; and

(e) if so, what action is proposed to be taken for violation of such guidelined?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): (a) to (c) The security and surety norms prescribed for Integrated Development Programme (IRDP) and Differential Rate of Interest (DRP) are as below:

IRDP: For all activities under IRDP, upto the loan amount of Rs. 25,000, hypothecation/pledge of assets created out of bank loan is taken as primary security and mortagage of loan, collateral security of third party guarantee in such cases is not obtained or insisted upon by the banks. For loan amounts between Rs. 25,000 and Rs. 50,000, in addition to the pledge/hypothecation of assets created out of land/margin etc. is considered by the banks, without, however, asking for any collateral security. Where there are genuine difficulties in mortgage of land, banks may take third party guarantee or such other security as considered appropriate for the purpose, as per the provisions of IRDP manual; 1991.

Loan cases above Rs. 50,000/- under IRDP are very few and rare. Such cases are examined by the banks in detail before suitable security cover is obtained.

DRI Scheme: No security or surety is required for giving loans. Further, no margin money is also insisted upon. However, assets purchased with the loan amount are required to be hypothecated to the bank.

(d) and (e) RBI has informed that no cases of violation of security norms under IRDP have been reported to it. As far as DRI Scheme is concerned, RBI has recently noticed some cases of banks insisting upon third party guarantee and/or margin money in addition to hypothecation of assets created out of loan amount. The banks have been advised by RBI to take remedial action.

Private Sector Mutual Fund

985. SHRI VIREN J. SHAH:
SHRI PRAMOD MAHAJAN:
SHRI SATISH AGARWAL:

Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank has permitted private mutual funds to participate in the overnight call and short notice money market for a period upto and including fourteen days and in the bill discount scheme;

(b) if so, what are the details in this regard and what are the names of such mutual fund companies; and

(c) whether government have made any enquiry into the working of the private sector mutual funds and whether any irregularities have come to Government's notice, if so, what are the details thereof?

THE MINISTER OF FINANCE (SHRI MANMOHAN SINGH): (a) to (c) In June, 1995 Reserve Bank of India (RBI) has permitted the following private mutual funds approved by SEBI, access to the call/notice money/bill re-discounting market as lenders:

1. Birla Mutual Fund
2. Morgan Stanley Mutual Fund
3. Apple Mutual Fund
4. Shriram Mutual Fund
5. J.M. Mutual Fund